

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark one):

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2002

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-22175

EMCORE Corporation  
(Exact name of Registrant as specified in its charter)

NEW JERSEY  
(State or other jurisdiction of incorporation or organization)

22-2746503  
(IRS Employer Identification No.)

145 Belmont Drive  
Somerset, NJ 08873  
(Address of principal executive offices) (zip code)

(732) 271-9090  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes: ☒ No: ☐

The number of shares of the registrant's common stock, no par value, outstanding as of May 1, 2002 was 36,672,219.

ITEM 1. Financial Statements

EMCORE CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF  
OPERATIONS For the three and six months ended March  
31, 2002 and 2001  
(in thousands, except per share data)  
(unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2002	2001	2002	2001
Revenues:				
Systems-related.....	\$ 4,341	\$ 29,393	\$ 14,636	\$ 55,204
Materials-related.....	18,737	15,432	27,579	28,711
Total revenues.....	23,078	44,825	42,215	83,915
Cost of revenues:				
Systems-related.....	6,853	17,291	12,264	32,079
Materials-related.....	25,355	10,758	36,536	19,322
Total cost of revenues.....	32,208	28,049	48,800	51,401
Gross profit.....	(9,130)	16,776	(6,585)	32,514
Operating expenses:				
Selling, general and administrative .....	9,483	7,552	16,481	14,535
Goodwill amortization.....	-	103	-	837
Research and development.....	11,625	11,998	23,572	25,177
Impairment and restructuring.....	35,939	-	35,939	-
Total operating expenses .....	57,047	19,653	75,992	40,549
Operating loss.....	(66,177)	(2,877)	(82,577)	(8,035)
Other expenses:				
Interest expense (income), net.....	1,682	(794)	2,610	(2,286)
Other expense (income), net.....	-	(5,890)	13,262	(5,890)
Equity in net loss of unconsolidated affiliate..	851	3,668	1,228	7,800
Total other expenses (income).....	2,533	(3,016)	17,100	(376)

Income (loss) before cumulative effect of a change in accounting principle.....	(68,710)	139	(99,677)	(7,659)
Cumulative effect of a change in accounting principle.....	-	-	-	(3,646)
Net income (loss).....	<u>\$(68,710)</u>	<u>\$ 139</u>	<u>\$(99,677)</u>	<u>\$(11,305)</u>
Per share data: (see note 4)				
Income (loss) per basic and diluted shares before cumulative effect of a change in accounting principle.....	<u>\$ (1.88)</u>	<u>\$ 0.00</u>	<u>\$ (2.74)</u>	<u>\$ (0.22)</u>
Net income (loss) per basic and diluted shares....	<u>\$ (1.88)</u>	<u>\$ 0.00</u>	<u>\$ (2.74)</u>	<u>\$ (0.33)</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

EMCORE CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS  
As of March 31, 2002 and September 30, 2001  
(in thousands, except share data)

ASSETS	As of March 31, 2002 ----- (unaudited)	As of September 30, 2001 -----
Current assets:		
Cash and cash equivalents.....	\$53,038	\$71,239
Marketable securities.....	43,023	76,422
Accounts receivable, net of allowance for doubtful accounts of \$3,740 and \$1,139 at March 31, 2002 and September 30, 2001, respectively.....	24,329	30,918
Accounts receivable - related party.....	485	2,161
Inventories, net.....	33,413	47,382
Prepaid expenses and other current assets.....	3,018	4,471
	-----	-----
Total current assets.....	157,306	232,593
Property, plant and equipment, net.....	107,327	143,223
Goodwill, net.....	23,071	2,687
Investments in unconsolidated affiliate.....	9,960	9,228
Intangible assets, net.....	1,900	-
Other assets, net.....	10,909	15,822
	-----	-----
Total assets.....	\$310,473	\$403,553
	=====	=====
LIABILITIES and SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 8,030	\$ 14,075
Accrued expenses.....	11,665	13,533
Advanced billings.....	4,350	3,715
Capitalized lease obligation - current.....	68	57
	-----	-----
Total current liabilities.....	24,113	31,380
Convertible subordinated notes.....	175,000	175,000
Capitalized lease obligation, net of current portion.....	90	46
	-----	-----
Total liabilities.....	199,203	206,426
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$0.0001 par, 5,882,352 shares authorized, no shares outstanding.....	-	-
Common stock, no par value, 100,000,000 shares authorized, 36,621,190 shares issued and 36,601,362 outstanding at March 31, 2002; 35,617,303 shares issued and 35,597,475 outstanding at September 30, 2001.....	333,326	327,559
Accumulated deficit.....	(220,829)	(121,152)
Accumulated other comprehensive loss.....	(261)	(8,314)
Shareholders' notes receivable.....	(34)	(34)
Treasury stock, at cost; 19,828 shares at March 31, 2002 and September 30, 2001.....	(932)	(932)
	-----	-----
Total shareholders' equity.....	111,270	197,127
	-----	-----
Total liabilities and shareholders' equity.....	\$310,473	\$403,553
	=====	=====

The accompanying notes are an integral part of these condensed consolidated financial statements.

EMCORE CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the six months ended March 31, 2002 and 2001  
(in thousands)  
(unaudited)

	Six Months Ended March 31,	
	2002	2001
Cash flows from operating activities:		
Net loss.....	\$(99,677)	\$(11,305)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation and amortization.....	9,915	8,996
Provision for doubtful accounts.....	1,469	228
Deferred gain on sale to unconsolidated affiliate.....	-	120
Equity in net loss of unconsolidated affiliate.....	1,228	7,800
Compensatory stock issuances.....	379	439
Impairment of equity investment.....	13,262	-
Cumulative effect of a change in accounting principle.....	-	3,646
Loss from impairment, restructuring charges and other charges.....	50,443	-
Decrease (increase) in assets:		
Accounts receivable - trade.....	2,522	(16,886)
Accounts receivable - related parties.....	1,676	460
Inventories.....	2,114	(13,088)
Other current assets.....	1,453	(3,416)
Other assets.....	(565)	(5,181)
Increase (decrease) in liabilities:		
Accounts payable.....	(6,044)	4,813
Accrued expenses.....	(2,823)	1,631
Advanced billings.....	635	4,330
Other.....	(41)	1,643
Total adjustments.....	75,623	(4,465)
Net cash used for operating activities.....	(24,054)	(15,770)
Cash flows from investing activities:		
Purchase of property, plant, and equipment.....	(5,681)	(55,876)
Investments in unconsolidated affiliate.....	(1,960)	(2,382)
Proceeds from collection of notes receivable.....	5,000	-
Cash paid for acquisition, net of cash acquired.....	(25,084)	(1,707)
Proceeds from sales of marketable securities, net.....	28,230	38,913
Net cash provided by (used for) investing activities.....	505	(21,052)
Cash flows from financing activities:		
Payments on capital lease obligations.....	(40)	9
Proceeds from exercise of stock options and employee stock purchase plan.....	1,194	2,824
Proceeds from exercise of stock purchase warrants.....	4,194	14
Net cash provided by financing activities.....	5,348	2,847
Net decrease in cash and cash equivalents.....	(18,201)	(33,975)
Cash and cash equivalents, beginning of period.....	71,239	50,849
Cash and cash equivalents, end of period.....	\$ 53,038	\$ 16,874
=====		
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest.....	\$ 4,576	\$ 21
=====		

The accompanying notes are an integral part of these condensed consolidated financial statements.

EMCORE CORPORATION  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
For the years ended September 30, 2000 and 2001 and the six  
months ended March 31, 2002 (unaudited)  
(in thousands)

	Common Stock Shares	Common Stock Amount	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Shareholders' Notes Receivable	Treasury Stock	Total Shareholders' Equity
Balance at September 30, 1999....	26,708	\$152,426	(\$83,256)	-	(\$7,547)	-	\$61,623
Net loss.....			(25,485)				(25,485)
Unrealized gain on marketable securities.....				5			5
Comprehensive loss.....							(25,480)
Preferred stock dividends.....			(83)				(83)
Accretion of redeemable preferred stock to redemption value.....			(40)				(40)
Issuance of common stock purchase warrants.....		689					689
Issuance of common stock, net of issuance cost of \$8,500.....	2,000	127,500					127,500
Stock option exercise.....	506	2,197					2,197
Stock purchase warrant exercise.....	1,996	10,874					10,874
Conversion of convertible preferred stock into common stock.....	2,060	14,193					14,193
Compensatory stock issuances.....	23	1,401					1,401
Conversion of subordinated notes into common stock.....	682	5,500					5,500
Treasury stock.....	(3)					(239)	(239)
Redemptions of shareholders' notes receivable.....					1,187		1,187
Balance at September 30, 2000....	33,972	314,780	(108,864)	5	(6,360)	(239)	199,322
Net loss.....			(12,288)				(12,288)
Unrealized loss on marketable securities.....				(8,085)			(8,085)
Translation adjustment.....				(234)			(234)
Comprehensive loss.....							(20,607)
Issuance of common stock in connection with acquisitions.....	41	1,840					1,840
Stock option exercise.....	438	3,247					3,247
Stock purchase warrant exercise....	1,111	5,508					5,508
Compensatory stock issuances.....	34	1,507					1,507
Issuance of common stock - Employee Stock Purchase Plan.....	17	677					677
Treasury stock.....	(16)					(693)	(693)
Redemptions of shareholders' notes receivable.....					6,326		6,326
Balance at September 30, 2001....	35,597	327,559	(121,152)	(8,314)	(34)	(932)	197,127
Net loss.....			(99,677)				(99,677)
Impairment of equity investment....				7,667			7,667
Unrealized gains on marketable securities.....				427			427
Translation adjustment.....				(41)			(41)
Comprehensive loss.....							(91,624)
Stock option exercise.....	97	633					633
Stock purchase warrant exercise....	823	4,194					4,194
Compensatory stock issuances.....	36	379					379
Issuance of common stock - Employee Stock Purchase Plan.....	48	561					561
Balance at March 31, 2002.....	36,601	\$333,326	\$(220,829)	\$(261)	\$(34)	\$(932)	\$111,270

The accompanying notes are an integral part of these consolidated financial statements.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1. Interim Financial Information and Description of Business

The accompanying unaudited condensed consolidated financial statements of EMCORE Corporation ("EMCORE" or the "Company") reflect all adjustments considered necessary by management to present fairly EMCORE's consolidated financial position as of March 31, 2002, the consolidated results of operations for the six-month periods ended March 31, 2002 and 2001 and the consolidated cash flows for the six-month periods ended March 31, 2002 and 2001. All adjustments reflected in the accompanying unaudited condensed consolidated financial statements are of a normal recurring nature unless otherwise noted. Prior period balances have been reclassified to conform with the current period financial statement presentation. The results of operations for the six-month period ended March 31, 2002 are not necessarily indicative of the results for the fiscal year ending September 30, 2002 or any future interim period.

EMCORE has two reportable operating segments: the systems-related business unit and the materials-related business unit. The systems-related business unit designs, develops and manufactures tools and manufacturing processes used to fabricate compound semiconductor wafers and devices. This business unit assists customers with device design, process development and optimal configuration of TurboDisc production systems. Revenues for the systems-related business unit consist of sales of EMCORE's TurboDisc production systems as well as spare parts and services related to these systems. The materials-related business unit designs, develops and manufactures compound semiconductor materials. Revenues for the materials-related business unit include sales of semiconductor wafers, devices, packaged devices, modules and process development technology. EMCORE's vertically integrated product offering allows it to provide a complete compound semiconductor solution to its customers. The segments reported are the segments of EMCORE for which separate financial information is available and for which gross profit amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance. There are no intercompany sales transactions between the two operating segments. Available segment information has been presented in the Statements of Operations.

## NOTE 2. Impairment and Restructuring Charges

During the quarter ended March 31, 2002, EMCORE recorded pre-tax charges to income totaling \$50.4 million, which included restructuring and impairment charges of \$35.9 million and other charges of \$14.5 million.

## Restructuring Charges

During the quarter, EMCORE continued a restructuring program, consisting of the appointment of a Chief Operating Officer, re-alignment of all engineering, manufacturing and sales/marketing operations, as well as workforce reductions. Included in the provision for restructuring and impairment charges are severance charges of \$1.1 million related to employee termination costs for approximately 120 employees. The workforce was reduced in both of EMCORE's business segments. Since September 30, 2001, headcount has been reduced by approximately 167 employees, all of whom were entitled to termination benefits. Headcount as of March 31, 2002 was 700 employees, which included 72 employees hired in connection with the Tecstar acquisition; see Note 3. As of March 31, 2002, EMCORE paid out approximately \$200,000 of employee termination costs, with the remaining \$900,000 included in accounts payable. Management expects to complete its restructuring plan by the end of the third fiscal quarter of 2002 with all cash outlays for employee termination costs to have been completed by that time as well. Management does not believe that the restructuring program will have a material impact on revenues. Management expects that the actions described above will result in an estimated annual reduction in employee-related expense and cash flows of approximately \$12.0 to 14.0 million.

## NOTE 2. Impairment and Restructuring Charges (continued)

## Impairment Charges

EMCORE recorded \$34.8 million of non-cash impairment charges related to its fixed assets during the second quarter of 2002. Of this charge, \$11.3 million relates to certain manufacturing assets to be disposed of. Management has committed to a plan to dispose of these assets, through either abandonment or sale. Such decision was made based upon the continued downturn in the economic environment that affects certain business units, which caused these manufacturing assets to become idle. EMCORE expects to complete its disposal of these assets by December 31, 2002. The carrying value of this equipment before write-down to net realizable value was \$11.5 million.

The remainder of the impairment charge relates principally to EMCORE's electronic materials, electronic devices and fiber-optic business units. During the past two years, EMCORE has completed new facilities for these businesses in anticipation of expanding market prospects. Business forecasts updated in the second quarter indicated significantly diminished prospects for these units, primarily based on the downturn in the telecommunications industry. As a result of these circumstances, management determined that the long-lived assets of these operations should be assessed for impairment. Based on the outcome of this assessment pursuant to SFAS 121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to be Disposed Of", EMCORE recorded a \$23.5 million non-cash asset impairment charge to fixed assets in the second quarter of 2002. The fair values of the assets were determined based upon a calculation of the present value of the expected future cash flows to be generated by these facilities.

Of the impairment charges recorded in the second quarter, \$4.0 million relates to EMCORE's systems business segment and \$30.8 million relates to the materials business segment.

## Other Charges

EMCORE recorded a \$11.9 million charge to cost of revenues in the quarter ended March 31, 2002. Consistent with the downturn in the markets served by EMCORE, management evaluated its inventory levels in light of actual and forecasted revenue. The inventory charge relates to reserves for excess inventory that EMCORE believes it is carrying as a result of the market conditions. EMCORE will continue to monitor its reserves and to the extent that inventories that have been reserved as excess are ultimately sold, such amounts will be disclosed in the future.

Included in selling, general, and administrative expense is a \$2.6 million charge principally related to a loss provision for accounts receivable for customers whose current financial condition and payment history indicate payment is doubtful.

## Investment Charge

The Uniroyal Technology Corporation, Inc. (UTCI) common stock received in August 2001 is classified by EMCORE as an available-for-sale security with any unrealized gains and losses being recorded as a component of accumulated other comprehensive loss in shareholders' equity. In the quarter ended December 31, 2001, management evaluated the relevant facts and circumstances, including the current fair market value of UTCI common stock, and determined that an other-than-temporary impairment of the investment existed. Accordingly, EMCORE took a charge of \$13.3 million to establish a new cost basis for the UTCI common stock, which was recorded as other expense in the consolidated Statement of Operations.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 3. Acquisition

On March 14, 2002, EMCORE acquired certain assets of the Applied Solar Division of Tecstar, Inc. and Tecstar Power Systems, Inc ("Tecstar"). This acquisition will vertically integrate all aspects of satellite solar panel construction within EMCORE and enable the Company to further penetrate the satellite communications market. The total cash purchase price, including related acquisitions costs, was approximately \$25.1 million. The results of operations from this acquisition have been included in EMCORE's consolidated results of operations from the acquisition closing date. The preliminary purchase price allocation has been estimated as follows:

Property and equipment	\$2,242
Other assets	558
Goodwill	20,384
Intellectual property	1,900
	-----
Total	<u>\$25,084</u>
	=====

Management expects to finalize the purchase price allocation during the third quarter of fiscal 2002.

## NOTE 4. Earnings Per Share

EMCORE accounts for earnings per share under the provision of SFAS No. 128 "Earnings per Share." Basic earnings per common share was calculated by dividing net income (loss) by the weighted average number of common stock shares outstanding during the period. With the exception of the three-month period ended March 31, 2001, the effect of outstanding common stock purchase options, warrants and shares issuable upon conversion of convertible subordinated debt have been excluded from the diluted weighted average share calculation since the effect of such securities is anti-dilutive. The following table reconciles the number of shares utilized in the earnings per share calculations.

(in thousands, except per share data)

	For the three months ended March 31, 2002                  2001 ----		For the six months ended March 31, 2002                  2001 ----	
Income (loss) before cumulative effect of a change in accounting principle.....	\$ (68,710)	\$ 139	\$ (99,677)	\$ (7,659)
Cumulative effect of a change in accounting principle.....	-	-	-	(3,646)
Net income (loss) attributable to common shareholders.....	<u>\$ (68,710)</u>	<u>\$ 139</u>	<u>\$ (99,677)</u>	<u>(\$11,305)</u>
-----				
Weighted average of outstanding common shares - basic.....	36,567	34,319	36,399	34,158
Effect of dilutive securities:				
Stock options, warrants and shares issuable upon conversion of convertible notes.....	-	4,067	-	-
Weighted average of outstanding common shares - diluted.....	<u>36,567</u>	<u>38,386</u>	<u>36,399</u>	<u>34,158</u>
-----				
Income (loss) per basic and diluted share before cumulative effect of a change in accounting principle.....	<u>\$ (1.88)</u>	<u>\$ 0.00</u>	<u>\$ (2.74)</u>	<u>\$ (0.22)</u>
Income (loss) per basic and diluted share - Cumulative effect of a change in accounting principle.....	-	-	-	\$ (0.11)
Net income (loss) per basic and diluted share.....	<u>\$ (1.88)</u>	<u>\$ 0.00</u>	<u>\$ (2.74)</u>	<u>\$ (0.33)</u>
	=====	=====	=====	=====



## EMCORE CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 5. Inventories

The components of inventories consisted of the following:

(in thousands)

	As of March 31, 2002	As of September 30, 2001
	-----	-----
Raw materials	\$21,578	\$32,795
Work-in-process	8,923	10,161
Finished goods	2,912	4,426
	-----	-----
Total	\$33,413	\$47,382
	=====	=====

## NOTE 6. Debt Facilities

In March 2001, EMCORE entered into a \$20.0 million Amended and Restated Revolving Loan and Security Agreement with a bank. There have been no borrowings under this facility since inception and management had no plans to use this facility. EMCORE canceled this facility in May 2002.

## NOTE 7. Joint Venture

In May 1999, General Electric Lighting and EMCORE formed GELcore, a joint venture to develop and market High Brightness Light-Emitting Diode (HB LED) lighting products. General Electric Lighting and EMCORE have agreed that this joint venture will be the exclusive vehicle for each party's participation in solid state lighting. Under the terms of the joint venture agreement, EMCORE has a 49% non-controlling interest in the GELcore venture and accounts for its investment under the equity method of accounting. For the six-month periods ended March 31, 2002 and 2001, EMCORE recognized a loss of \$1.2 million and \$2.2 million, respectively, related to this joint venture which has been recorded as a component of other income and expense. As of March 31, 2002, the Company's net investment in this joint venture amounted to approximately \$10.0 million.

## NOTE 8. Related Party

The President of Hakuto Co. Ltd. (Hakuto), the Company's Asian distributor, is a member of EMCORE's Board of Directors and Hakuto is a minority shareholder of EMCORE. During the three-month periods ended March 31, 2002 and 2001, sales made through Hakuto amounted to approximately \$0.3 million and \$5.1 million, respectively. During the six-month periods ended March 31, 2002 and 2001, sales made through Hakuto amounted to approximately \$1.0 million and \$7.8 million, respectively.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 9. Recent Accounting Pronouncements

In June 2001, SFAS No. 142, "Goodwill and Other Intangible Assets" was approved by the FASB. SFAS No. 142 changes the accounting for goodwill and indefinite lived intangible assets from an amortization method to an impairment-only approach. Amortization of goodwill, including goodwill recorded in past business combinations and indefinite lived intangible assets, will cease upon adoption of this statement. Identifiable intangible assets will continue to be amortized over their useful lives and reviewed for impairment in accordance with SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". EMCORE adopted SFAS No. 142 on October 1, 2001 and completed its transition test for impairment during the quarter ended March 31, 2002. No impairment adjustment was deemed necessary by management. Had SFAS No. 142 been in effect for the three and six months ended March 31, 2001, EMCORE's net loss for those periods would have decreased by \$103,000 or \$0.00 per share and \$837,000 or \$0.02 per share, respectively.

In August 2001, the FASB issued SFAS No. 143 "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting for obligations and costs associated with the retirement of tangible long-lived assets. EMCORE is required to implement SFAS No. 143 in fiscal year 2003. EMCORE is currently evaluating the impact that the adoption of SFAS No. 143 will have on its results of operations and financial position.

In October 2001, the FASB issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 replaces SFAS No. 121 and establishes accounting and reporting standards for long-lived assets to be disposed of by sale. This standard applies to all long-lived assets, including discontinued operations. SFAS No. 144 requires that those assets be measured at the lower of carrying amount or fair value less cost to sell. SFAS No. 144 also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity that will be eliminated from the ongoing operations of the entity in a disposal transaction. EMCORE is required to implement SFAS No. 144 in fiscal year 2003. EMCORE is currently evaluating the impact that the adoption of SFAS No. 144 will have on its results of operations and financial position.

The information provided herein may include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 relating to future events that involve risks and uncertainties. Words such as "expects," "anticipates," "intends," "plans," "believes," and "estimates," and variations of these words and similar expressions, identify these forward-looking statements. These forward-looking statements include, without limitation, (a) any statements or implications regarding EMCORE's ability to remain competitive and a leader in its industry, and the future growth of EMCORE, the industry and the economy in general; (b) statements regarding the expected level and timing of benefits to EMCORE from its current restructuring and realignment efforts, including (i) expected cost reductions and their impact on EMCORE's financial performance, (ii) expected improvement to EMCORE's product and technology development programs, and (iii) the belief that the restructuring and realignment efforts will position EMCORE well in the current business environment and prepare it for future growth with increasingly competitive new product offerings and long-term cost structure; (c) statements regarding the anticipated cost of the restructuring and realignment efforts; (d) statements regarding the anticipated charges to be recorded by EMCORE to reduce the carrying value of excess and obsolete inventory and doubtful accounts; and (e) any and all guidance provided by EMCORE regarding its expected financial performance in current or future periods, including, without limitation, with respect to anticipated revenues for the second quarter of Fiscal 2002. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected, including without limitation, the following: (1) EMCORE's restructuring and realignment efforts may not be successful in achieving their expected benefits, may be insufficient to align EMCORE's operations with customer demand and the changes affecting our industry, or may be more costly than currently anticipated; (2) due to the current economic slowdown, in general, and setbacks in our customers' businesses, in particular, our ability to predict EMCORE's financial performance for future periods is far more difficult than in the past; and (3) other risks and uncertainties described in EMCORE's filings with the Securities and Exchange Commission such as cancellations, rescheduling or delays in product shipments; manufacturing capacity constraints; lengthy sales and qualification cycles; difficulties in the production process; changes in semiconductor industry growth, increased competition, delays in developing and commercializing new products, and other factors. The forward-looking statements contained in this Form 10-Q are made as of the date hereof and EMCORE does not assume any obligation to update the reasons why actual results could differ materially from those projected in the forward-looking statements.

#### ITEM 2.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

EMCORE Corporation designs, develops and manufactures compound semiconductor wafers and devices and is a leading developer and manufacturer of the tools and manufacturing processes used to fabricate compound semiconductor wafers and devices. Compound semiconductors are composed of two or more elements and usually consist of a metal, such as gallium, aluminum or indium, and a non-metal such as arsenic, phosphorus or nitrogen. Many compound semiconductors have unique physical properties that enable electrons to move through them at least four times faster than through silicon-based devices and are therefore well suited to serve the growing need for efficient, high performance electronic systems.

EMCORE offers a comprehensive portfolio of products and systems for the rapidly expanding broadband, wireless communications and solid state lighting markets. We have developed extensive materials science expertise and process technology to address our customers' needs. Customers can take advantage of our vertically integrated solutions approach by purchasing custom-designed wafers and devices from us, or by manufacturing their own devices in-house using one of our metal organic chemical vapor deposition (MOCVD) production systems configured to their specific needs. Our products and systems enable our customers to cost effectively introduce new and improved high performance products to the market faster in high volumes.

Growth in our industry is driven by the widespread deployment of fiber optic networks, introduction of new wireless networks and services, rapid build-out of satellite communication systems, increasing use of more power efficient lighting sources, increasing use of electronics in automobiles and emergence of advanced consumer electronic applications. In addition, the demands for higher volumes of a broad range of higher performance devices have resulted in manufacturers increasingly outsourcing their needs for compound semiconductor wafers and devices. Our expertise in materials science and process technology provides us with a competitive advantage to manufacture compound semiconductor wafers and devices in high volumes.

#### Wafers and Devices

EMCORE offers a broad array of compound semiconductor wafers and devices, including optical devices, such as VCSELs and photodetectors used in high-speed data communications and telecommunications networks, radio frequency materials (RF materials) employed in mobile communications products such as wireless modems and handsets, solar cells and panels used to power commercial and military satellites, high brightness light-emitting diodes (HB LEDs) used for several lighting markets, and magneto resistive sensors (MR sensors) used for various automotive applications.

- o Solar Cells and Panels. Solar panels are typically the largest single cost component of a satellite. Our compound semiconductor solar cells, which are used to power commercial and military satellites, have achieved industry-leading efficiencies. Solar cell efficiency dictates the electrical power of the satellite and bears upon the weight and

launch costs of the satellite. With the Tecstar acquisition, EMCORE has fully integrated the production of solar panels using EMCORE's solar cells.

- o Optical Components and Modules. Our family of VCSELs and VCSEL array transceiver and transponder products, as well as our photodiode array components, serve the rapidly growing high-speed data communications network and telecommunications markets, including the Gigabit Ethernet, FibreChannel, Infiniband, and Very Short Reach OC-192, the emerging Very Short Reach OC-768 and related markets. Our strategy is to manufacture high cost optical components and subassemblies in-house, using our proprietary technologies, to reduce the overall cost of our transceiver and transponder modules.

- o RF Materials. We currently produce 4-inch and 6-inch InGaP HBT and pHEMT materials that are used by our wireless customers for power amplifiers for GSM, TDMA, CDMA and the emerging 3G multiband wireless handsets.
- o HB LEDs. Through our joint venture with General Electric Lighting, we provide advanced HB LED technology used in devices and in such applications as traffic lights, miniature lamps, automotive lighting, and flat panel displays.

#### Production Systems

EMCORE is a leading provider of compound semiconductor technology processes and MOCVD production tools. We believe that our proprietary TurboDisc deposition technology makes possible one of the most cost-effective production processes for the commercial volume manufacture of high-performance compound semiconductor wafers and devices, which are integral to solid state lighting and global communications applications.

#### Customers

Our customers include Agilent Technologies Ltd., Anadigics Inc., Boeing-Spectrolab, General Motors Corp., Honeywell International Inc., Infineon Technologies AG, Loral Space & Communications Ltd., Lucent Technologies, Inc., Lumileds Lighting, Motorola, Inc., Nortel Networks Corp., Siemens AG's Osram GmbH subsidiary, TriQuint Semiconductor, Inc. and more than a dozen of the largest electronics manufacturers in Japan.

#### Recent Corporate Developments and Highlights

In April 2002, EMCORE signed an agreement to supply high quality GaN HEMT (gallium nitride high electron mobility transistor) epitaxial wafers to Rockwell Scientific Company. EMCORE's epiwafers will be used to design HEMT power amplifiers (PAs) offering the level of performance required for high-power applications in the wireless RF design, military, and automotive industries.

In March 2002, EMCORE completed the Tecstar acquisition. This acquisition will vertically integrate all aspects of satellite solar panel construction within EMCORE and enable the Company to further penetrate the satellite communications market. The combination of EMCORE's industry-leading solar cell technology and Tecstar's proven flight heritage dating back to 1958 will afford EMCORE many new opportunities in fiscal year 2002 and beyond.

In March 2002, EMCORE announced the sale of two Discovery LDM (laser diode machine) production tools to Nova Crystals. The EMCORE materials production platform is the best technology on the market for achieving the device results required to produce high-quality PICSELsTM.

In January 2002, EMCORE signed a multi-source agreement with Picolight, Inc. for the manufacture and supply of connectorized 12 channel parallel optical modules operating at up to 2.7 gigabits per second (Gbps) per channel. These parallel optical modules, which are electrically, optically and mechanically compatible, will help alleviate data congestion in networking equipment. The agreement provides customers the assurance of multiple, reliable sources for the modules.

#### Recent Product Developments

In addition, during the quarter ended March 31, 2002:

- o EMCORE expanded its optical device product portfolio with the commercial availability of two new 1310 nm, high speed, high performance PIN diodes designed for use in OC-48 and OC-192 data and telecom applications. The 2.5 GHz, 1x12 PIN diode array and 10 GHz PIN diode singlet offer significant cost savings as a result of their minimal packaging requirements;

- o EMCORE launched its first 10 Gbps Serial TOSA (Transmitter Optical Subassembly) and ROSA (Receiver Optical Subassembly) packaged sub-assemblies for short reach OC-192 data and telecommunications applications;
- o EMCORE announced the availability of its new 10 Gbps small form factor transponder, the MTR9500, which provides very short reach (VSR) interconnections for enterprise networks and Internet backbones at SONET OC-192 rates (nominally 10 Gbps). The 300-pin transponder, which is compliant with the Optical Internetworking Forum's VSR4-1 Implementation Agreement, provides all the functionality of EMCORE's original MTR8500 VSR4-1 transponder at half the size;
- o EMCORE announced the release of its new 12 lane by 3.3 Gbps high-speed parallel fiber optic array transmitter and receiver modules. Delivering an aggregate bandwidth of 40 Gbps, the new transmitters and receivers from EMCORE excel in short-haul applications including high-speed logic-logic data links, optical backplanes, ganged serial connections (12 X OC-48) and board-to-board and shelf-to-shelf high-speed interconnects.

#### Results of Operations

The following table sets forth the condensed consolidated Statement of Operations data of EMCORE expressed as a percentage of total revenues for the three and six months ended March 31, 2002 and 2001:

#### Statements of Operations Data:

	For the three months ended March 31, 2002		For the six months ended March 31, 2002	
	2002	2001	2002	2001
	----	----	----	----
Revenues.....	100.0%	100.0%	100.0%	100.0%
Cost of revenues.....	139.6%	62.6%	115.6%	61.3%
	-----	-----	-----	-----
Gross Profits.....	(39.6)%	37.4%	(15.6)%	38.7%
Operating expenses:				
Selling, general and administrative.....	41.1%	16.8%	39.0%	17.3%
Goodwill amortization.....	-	0.2%	-	1.0%
Research and development.....	50.3%	26.8%	55.8%	30.0%
Impairment and restructuring.....	155.7%	-	85.2%	-
	-----	-----	-----	-----
Total operating expenses.....	247.1%	43.8%	180.0%	48.3%
	-----	-----	-----	-----
Operating loss.....	(286.7)%	(6.4)%	(195.6)%	(9.6)%
Other expenses:				
Interest expense (income), net.....	7.3%	(1.8)%	6.2%	(2.7)%
Other expense (income).....	-	(13.1)%	31.4%	(7.0)%
Equity in net loss of unconsolidated affiliate.....	3.7%	8.2%	2.9%	9.3%
	-----	-----	-----	-----
Total other expenses (income).....	11.0%	(6.7)%	40.5%	(0.4)%
	-----	-----	-----	-----
Income (loss) before cumulative effect of a change in accounting principle.....	(297.7)%	0.3%	(236.1)%	(9.2)%
	-----	-----	-----	-----
Cumulative effect of a change in accounting principle.....	-	-	-	(4.3)%
	-----	-----	-----	-----
Net income (loss).....	(297.7)%	0.3%	(236.1)%	(13.5)%
	-----	-----	-----	-----

EMCORE has generated a significant portion of its sales to customers outside the United States. EMCORE anticipates that international sales will continue to account for a significant portion of revenues. Historically, EMCORE has received substantially all payments for products and services in U.S. dollars and thus does not anticipate that fluctuations in any currency will have a material effect on its financial condition or results of operations. The following chart contains a breakdown of EMCORE's consolidated revenues by geographic region.

Region:	For the three months ended March 31, 2002		2001		For the six months ended March 31, 2002		2001	
	Revenue	%	Revenue	%	Revenue	%	Revenue	%
North America	\$18,889	82%	\$18,361	41%	\$31,877	76%	\$43,611	52%
Asia	2,063	9%	24,996	56%	4,794	11%	36,980	44%
Europe	2,126	9%	1,468	3%	5,544	13%	3,324	4%
TOTAL	\$23,078	100%	\$44,825	100%	\$42,215	100%	\$83,915	100%

EMCORE has two reportable operating segments: the systems-related business unit and the materials-related business unit. The systems-related business unit designs, develops and manufactures tools and manufacturing processes used to fabricate compound semiconductor wafers and devices. This business unit assists customers with device design, process development and optimal configuration of TurboDisc production systems. Revenues for the systems-related business unit consist of sales of EMCORE's TurboDisc production systems as well as spare parts and services related to these systems. The materials-related business unit designs, develops and manufactures compound semiconductor materials. Revenues for the materials-related business unit include sales of semiconductor wafers, devices, packaged devices, modules, solar panels and process development technology. EMCORE's vertically integrated product offering allows it to provide a complete compound semiconductor solution to its customers. The segments reported are the segments of EMCORE for which separate financial information is available and for which gross profit amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance. There are no intercompany sales transactions between the two operating segments.

Comparison of the three and six-month periods ended March 31, 2002 and 2001

Revenues. EMCORE's quarterly revenues decreased 49% or \$21.7 million from \$44.8 million for the three months ended March 31, 2001 to \$23.1 million for the three months ended March 31, 2002. For the six-month periods ended March 31, 2002 and 2001, revenues decreased 50% or \$41.7 million from \$83.9 million in the prior year to \$42.2 million. The decline in revenues was a result of decreased demand experienced within EMCORE's systems-related product line. The current economic climate has reduced capital spending dramatically during the past year, particularly in the data and telecommunication sectors, where EMCORE has traditionally sold a significant portion of equipment and material-related products.

For the three months ended March 31, 2002 and 2001, systems-related revenues decreased 85% or \$25.1 million from \$29.4 million reported in the prior year to \$4.3 million. The number of MOCVD production systems shipped during the three-month periods decreased 92% from 24 systems in 2001 to 2 systems in 2002. For the six months ended March 31, 2002 and 2001, systems-related revenues decreased 74% or \$40.6 million from \$55.2 million reported in the prior year to \$14.6 million. The number of MOCVD production systems shipped during the six-month periods decreased 88% from 41 systems in 2001 to 5 systems in 2002. Average selling prices of MOCVD production tools has also dropped from an average of \$1.5 million in fiscal year 2001 to \$1.3 million in fiscal year 2002. Cancellations and pushed-out delivery dates in previous quarters are the main reasons for the decrease in systems-related revenues.

For the three months ended March 31, 2002 and 2001, materials-related revenues increased 21% or \$3.3 million from \$15.4 million reported in the prior year to \$18.7 million. On a product line basis, sales of solar cell products increased \$5.5 million or 101%, electronic materials and devices decreased \$0.5 million or 9%, and optical devices and components decreased \$1.7 million or 41%, from the prior year. For the six months ended March 31, 2002 and 2001, materials-related revenues decreased 4% or \$1.1 million from \$28.7 million reported in the prior year to \$27.6 million. On a product line basis, sales of solar cell products increased \$3.0 million or 31%, electronic materials and devices decreased \$1.3 million or 11%, and optical devices and components decreased \$2.8 million or 43%, from the prior year.

As a percentage of revenues, systems and materials-related revenues accounted for 19% and 81%, respectively, for the quarter ended March 31, 2002, and 66% and 34%, respectively, for the quarter ended March 31, 2001. For the six-month periods, systems and materials-related revenues accounted for 35% and 65% in fiscal year 2002, and 66% and 34% in fiscal year 2001. International sales accounted for 18% of revenues for the quarter ended March 31, 2002 and 59% of revenues for the quarter ended March 31, 2001. For the six-month periods, international sales accounted for 24% of revenues in fiscal year 2002 and 48% of revenues in fiscal year 2001.

Gross Profit. EMCORE's quarterly gross profit decreased 154% or \$25.9 million from \$16.8 million for the quarter ended March 31, 2001 to \$(9.1) million for the quarter ended March 31, 2002. For the six-month periods ended March 31, 2002 and 2001, gross profit decreased 120% or \$39.1 million from \$32.5 million to \$(6.6) million. The decline in gross profit was primarily related to \$11.9 million of inventory write-down charges and unabsorbed overhead expenses due to decreased revenues. During the past two years, EMCORE completed new facilities for its businesses in anticipation of expanding market prospects. EMCORE has a significant amount of fixed expenses relating to capital equipment and manufacturing overhead in its new facilities where materials-related products are manufactured. Lower than forecasted materials-related revenues causes these fixed expenses to be allocated across reduced production volumes, which adversely affected gross profit and margins.

For the three months ended March 31, 2002 and 2001, gross profit earned on systems-related revenues decreased 121% or \$14.6 million from \$12.1 million earned in the prior year to \$(2.5) million. For the six months ended March 31, 2002 and 2001, gross profit earned on systems-related revenues decreased 90% or \$20.7 million from \$23.1 million earned in the prior year to \$2.4 million. For the six months ended March 31, 2002 and 2001, gross margins for systems-related revenues decreased from 42% to 16%. This decrease is due primarily to the decrease in sales of MOCVD production systems and specific inventory write-down charges of \$4.2 million.

For the three months ended March 31, 2002 and 2001, gross profit earned on materials-related revenues decreased 242% or \$11.3 million from \$4.7 million earned in the prior year to \$(6.6) million. For the six months ended March 31, 2002 and 2001, gross profit earned on materials-related revenues decreased 195% or \$18.3 million from \$9.4 million earned in the prior year to \$(8.9) million. For the six months ended March 31, 2002 and 2001, gross margins for materials-related revenues decreased from 33% to (33%). This decrease is due primarily to unabsorbed overhead expenses and specific inventory write-down charges of \$7.7 million.

Selling, General and Administrative. EMCORE's quarterly selling, general and administrative expenses increased 26% or \$1.9 million from \$7.6 million for the three months ended March 31, 2001 to \$9.5 million for the three months ended March 31, 2002. For the six-month periods ended March 31, 2002 and 2001, selling, general and administrative expenses increased 13% or \$1.9 million from \$14.5 million to \$16.4 million. The increase in selling, general and administrative expenses was primarily related to a \$2.6 million additional receivable reserve for doubtful accounts. Excluding this charge, selling, general and administrative expenses for the quarter decreased 9%. As a percentage of revenue, selling, general and administrative expenses increased from 17% for the six months ended March 31, 2001 to 39% for the six months ended March 31, 2002 as a result of lower revenues. In fiscal year 2002, management expects selling, general and administrative expenses to decrease approximately 10% on an annual basis as a result of implemented cost control and restructuring programs.



Goodwill Amortization. During the three months ended December 31, 2000, EMCORE amortized \$0.7 million, the remaining portion of goodwill related to the acquisition of MicroOptical Devices, Inc. In January 2001, EMCORE purchased Analytical Solutions, Inc. and Training Solutions, Inc. and allocated approximately \$3.1 million to goodwill. In March 2002, EMCORE acquired Tecstar, Inc.'s Applied Solar Division. The preliminary purchase price allocation estimates \$20.4 million for goodwill. Management expects to finalize the purchase price allocation during the third quarter of fiscal 2002.

In June 2001, SFAS No. 142, "Goodwill and Other Intangible Assets" was approved by the FASB. Amortization of goodwill, including goodwill recorded in past business combinations and indefinite lived intangible assets, would cease upon adoption of this statement. EMCORE adopted SFAS No. 142 on October 1, 2001 and completed its transition test for impairment during the quarter ended March 31, 2002. No impairment adjustment was deemed necessary by management. Had SFAS No. 142 been in effect for the three and six months ended March 31, 2001, EMCORE's net loss for those periods would have decreased by \$103,000 or \$0.00 per share and \$837,000 or \$0.02 per share, respectively.

Research and Development. EMCORE's quarterly research and development expenses decreased 3% or \$0.4 million from \$12.0 million for the three months ended March 31, 2001 to \$11.6 million for the three months ended March 31, 2002. For the six-month periods ended March 31, 2002 and 2001, research and development expenses decreased 6% or \$1.6 million from \$25.2 million to \$23.6 million. As a percentage of revenue, research and development expenses increased from 30% for the six months ended March 31, 2001 to 56% for the six months ended March 31, 2002 as a result of lower revenues. To maintain growth and to continue to pursue market leadership in materials science technology, management expects to continue to invest a significant amount of its resources in research and development. In fiscal year 2002, management expects research and development expenses to decrease approximately 20% on an annual basis, due to the deferral or elimination of certain non-critical projects.

Impairment and Restructuring Charges. During the quarter ended March 31, 2002, EMCORE recorded pre-tax charges to income totaling \$50.4 million, which included restructuring and impairment charges of \$35.9 million and other charges of \$14.5 million.

#### Restructuring Charges

During the quarter, EMCORE continued a restructuring program, consisting of the appointment of a Chief Operating Officer, re-alignment of all engineering, manufacturing and sales/marketing operations, as well as workforce reductions. Included in the provision for restructuring and impairment charges are severance charges of \$1.1 million related to employee termination costs for approximately 120 employees. The workforce was reduced in both of EMCORE's business segments. Since September 30, 2001, headcount has been reduced by approximately 167 employees, all of whom were entitled to termination benefits. Headcount as of March 31, 2002 was 700 employees, which included 72 employees hired in connection with the Tecstar acquisition. As of March 31, 2002, EMCORE paid out approximately \$200,000 of employee termination costs, with the remaining \$900,000 included in accounts payable. Management expects to complete its restructuring plan by the end of the third fiscal quarter of 2002 with all cash outlays for employee termination costs to have been completed by that time as well. Management does not believe that the restructuring program will have a material impact on revenues. Management expects that the actions described above will result in an estimated annual reduction in employee-related expense and cash flows of approximately \$12.0 to 14.0 million.

#### Impairment Charges

EMCORE recorded \$34.8 million of non-cash impairment charges related to its fixed assets during the second quarter of 2002. Of this charge, \$11.3 million relates to certain manufacturing assets to be disposed of. Management has committed to a plan to dispose of these assets, through either abandonment or sale. Such decision was made based upon the continued downturn in the economic environment that affects certain business units, which caused these manufacturing assets to become idle. EMCORE expects to complete its disposal of these assets by December 31, 2002. The carrying value of this equipment before write-down to net realizable value was \$11.5 million.

The remainder of the impairment charge relates principally to EMCORE's electronic materials, electronic devices and fiber-optic business units. During the past two years, EMCORE has completed new facilities for these businesses in anticipation of expanding market prospects. Business forecasts updated in the second quarter indicated significantly diminished prospects for these units, primarily based on the downturn in the telecommunications industry. As a result of these circumstances, management determined that the long-lived assets of these operations should be assessed for impairment. Based on the outcome of this assessment pursuant to SFAS 121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to be Disposed Of", EMCORE recorded a \$23.5 million non-cash asset impairment charge to fixed assets in the second quarter of 2002. The fair values of the assets were determined based upon a calculation of the present value of the expected future cash flows to be generated by these facilities.

Of the impairment charges recorded in the second quarter, \$4.0 million relates to EMCORE's systems business segment and \$30.8 million relates to the materials business segment.

Interest Income/Expense. For the quarter ended March 31, 2002, net interest changed \$2.5 million from net interest income of \$0.8 million to net interest expense of \$1.7 million. For the six months ended March 31, 2002, net interest changed \$4.9 million from net interest income of \$2.3 million to net interest

expense of \$2.6 million. The decrease in interest income is a result of interest expense being incurred from the 5% convertible subordinated notes due in May 2006 offset by lower interest rates on decreased investment amounts in marketable securities.

Other Expense. In August 2001, EMCORE received common stock in Uniroyal Technology Corporation (UTCI) which is classified as an available-for-sale security with any unrealized gains and losses being recorded as a component of comprehensive income in shareholders' equity. During the quarter ended December 31, 2001, management determined that an other-than-temporary impairment of the investment existed. Accordingly, EMCORE took a charge of \$13.3 million to establish a new cost basis for the UTCI common stock, which was recorded as other expense. Other income for the three months ended March 31, 2001 included a net gain of \$5.9 million related to the settlement of litigation.

Equity in Unconsolidated Affiliate. Because EMCORE does not have a controlling economic and voting interest in its joint venture with General Electric Lighting, EMCORE accounts for it under the equity method of accounting. For the three and six months ended March 31, 2002, EMCORE incurred a net loss of \$0.9 million and \$1.2 million, respectively, related to the GELcore joint venture. For the three and six months ended March 31, 2001, EMCORE incurred a net loss of \$0.9 million and \$2.2 million, respectively, related to the GELcore joint venture. For the three and six months ended March 31, 2001, EMCORE also incurred a net loss of \$2.8 million and \$5.6 million related to the Uniroyal joint venture.

Income Taxes. As a result of its losses, EMCORE did not incur any income tax expense in both the three and six-month periods ended March 31, 2002 and 2001.

## Liquidity and Capital Resources

EMCORE has funded operations to date through sales of equity, bank borrowings, subordinated debt and revenues from product sales. In May 2001, EMCORE issued \$175.0 million of 5% convertible subordinated notes due in May 2006. In March 2000, EMCORE completed an additional public offering and raised approximately \$127.5 million, net of issuance costs. In June 1999, EMCORE completed a secondary public offering and raised approximately \$52.0 million, net of issuance costs. As of March 31, 2002, EMCORE had working capital of approximately \$133.2 million, including \$96.1 million in cash, cash equivalents and marketable securities.

Cash used for operating activities approximated \$24.1 million during the six months ended March 31, 2002 primarily because of EMCORE's net loss of \$99.7 million offset by the non-cash charges related to impairment and restructuring charges on fixed assets and marketable securities of \$63.7 million and depreciation and amortization charges of \$9.9 million. For the six months ended March 31, 2002, net cash provided by investment activities amounted to approximately \$0.5 million. EMCORE's net investment in marketable securities decreased by \$28.2 million which represents proceeds from sales of marketable securities of \$33.5 million offset by \$5.3 million relating to the impairment charge on UTCI stock. In March 2002, EMCORE completed the Tecstar acquisition at a total cost of \$25.1 million. Capital expenditures for the six months ended totaled \$5.7 million and in November 2001 EMCORE made a \$2.0 million capital contribution to GELcore. Net cash provided by financing activities for the six months ended March 31, 2002 amounted to approximately \$5.3 million of which \$4.2 million related to the exercise of warrants.

In March 2001, EMCORE entered into a \$20.0 million Amended and Restated Revolving Loan and Security Agreement with a bank. There have been no borrowings under this facility since inception and management had no plans to use this facility. EMCORE canceled this facility in May 2002.

EMCORE believes that its current liquidity should be sufficient to meet its cash needs for working capital through fiscal year 2002. However, if cash generated from operations and cash on hand are not sufficient to satisfy EMCORE's liquidity requirements, EMCORE will seek to obtain additional equity or debt financing. Additional funding may not be available when needed or on terms acceptable to EMCORE. If EMCORE is required to raise additional financing and if adequate funds are not available or not available on acceptable terms, the ability to continue to fund expansion, develop and enhance products and services, or otherwise respond to competitive pressures will be severely limited. Such a limitation could have a material adverse effect on EMCORE's business, financial condition or operations.

## Critical Accounting Policies

The preparation of financial statements requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. The significant accounting policies which we believe are the most critical to the understanding of reported financial results include the following:

- o Accounts Receivable - EMCORE maintains allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, additional allowances may be required;
- o Inventories - Inventories are stated at the lower of cost or market with cost being determined using the first-in, first-out (FIFO) method. EMCORE provides estimated inventory allowances for obsolete and excess inventory based on assumptions about future demand and market conditions. If future demand or market conditions are different than those projected by management, adjustments to inventory allowances may be required;

- o Impairment of Long-lived Assets - The carrying amount of long-lived assets are reviewed on a regular basis for the existence of facts or circumstances, both internally and externally, that suggest impairment. EMCORE records impairment losses on long-lived assets when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amount. Management's estimates of future cash flows are based upon EMCORE's current operating forecast, which is believed to be reasonable. However, different assumptions regarding such cash flows could materially affect these estimates;

The impact and any associated risks relating to these policies on our business operations is discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations where such policies affect our reported and expected financial results.

#### Recent Accounting Pronouncements

In June 2001, SFAS No. 142, "Goodwill and Other Intangible Assets" was approved by the FASB. SFAS No. 142 changes the accounting for goodwill and indefinite lived intangible assets from an amortization method to an impairment-only approach. Amortization of goodwill, including goodwill recorded in past business combinations and indefinite lived intangible assets, will cease upon adoption of this statement. Identifiable intangible assets will continue to be amortized over their useful lives and reviewed for impairment in accordance with SFAS No. 121 "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to be Disposed Of". EMCORE adopted SFAS No. 142 on October 1, 2001 and completed its transition test for impairment during the quarter ended March 31, 2002. No impairment adjustment was deemed necessary by management. Had SFAS No. 142 been in effect for the three and six months ended March 31, 2001, EMCORE's net loss for those periods would have decreased by \$103,000 or \$0.00 per share and \$837,000 or \$0.02 per share, respectively.

In August 2001, the FASB issued SFAS No. 143 "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting for obligations and costs associated with the retirement of tangible long-lived assets. EMCORE is required to implement SFAS No. 143 in fiscal year 2003. EMCORE is currently evaluating the impact that the adoption of SFAS No. 143 will have on its results of operations and financial position.

In October 2001, the FASB issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 replaces SFAS No. 121 and establishes accounting and reporting standards for long-lived assets to be disposed of by sale. This standard applies to all long-lived assets, including discontinued operations. SFAS No. 144 requires that those assets be measured at the lower of carrying amount or fair value less cost to sell. SFAS No. 144 also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity that will be eliminated from the ongoing operations of the entity in a disposal transaction. EMCORE is required to implement SFAS No. 144 in fiscal year 2003. EMCORE is currently evaluating the impact that the adoption of SFAS No. 144 will have on its results of operations and financial position.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The following matters were submitted to a vote of shareholders at the Company's 2002 Annual Meeting of Shareholders held February 28, 2002:

a) Election of Directors:

	Number of shares	
	For	Withheld
Thomas J. Russell	32,022,673	1,051,034
Reuben F. Richards, Jr.	28,754,162	4,319,545
John J. Hogan, Jr.	32,019,919	1,053,788

b) Ratify selection of Deloitte & Touche LLP as independent auditors of the Company for fiscal year ended September 30, 2002.

Number of shares: For: 32,962,113 Against: 99,131 Abstain: 12,463

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) List of Exhibits:

- 10.1 Transition Agreement and Release, dated as of March 29, 2002, between EMCORE Corporation and Paul Rotella.
- 10.2 Severance Agreement and Release, dated as of April 18, 2002, between EMCORE Corporation and Craig Farley.

(b) Reports on Form 8-K:

Form 8-K dated February 6, 2002; announcing that EMCORE entered into an asset purchase agreement relating to the acquisition of the Applied Solar Division of Tecstar, Inc. and Tecstar Power Systems, Inc.

Form 8-K dated March 14, 2002; announcing that EMCORE acquired the Applied Solar Division of Tecstar, Inc and Tecstar Power Systems, Inc.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EMCORE CORPORATION

Date: May 15, 2002

By: /s/Reuben F. Richards, Jr.

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Reuben F. Richards, Jr.  
President and Chief Executive Officer

Date: May 15, 2002

By: /s/Thomas G. Werthan

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Thomas G. Werthan  
Vice President and Chief Financial Officer

## TRANSITION AGREEMENT AND RELEASE

Transition Agreement and Release ("Agreement") executed this \_\_\_\_ day of \_\_\_\_, 2002, by and between Paul Rotella ("Employee") who resides at 1790 Morgan Lane, Collegeville, Pennsylvania 19426, and Emcore Corporation ("Emcore").

In consideration of the mutual promises described below and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, the parties agree as follows:

1. Employee shall cease his current duties and responsibilities effective March 18, 2002. From March 18, 2002 until April 1, 2002 ("Transition Period"), Employee shall remain employed by Emcore on a full-time basis, shall be paid at a rate of \$6,730.77 for that two week period and shall report to Larry Kapitan.

2. (a) Contingent upon Employee's continued employment in good standing throughout the transition period, beginning on April 1, 2002, Emcore shall pay to Employee his biweekly salary, less applicable withholdings and deductions, for a seven month and two week period, which shall end on November 15, 2002. Such amount will be paid on regular paydays.

(b) Also contingent upon Employee's continued employment in good standing on April 1, 2002, Emcore shall continue to pay the employer's portion of the premiums associated with health insurance benefits for a period of seven months and two weeks beginning on April 1, 2002 and ending on November 15, 2002. Employee acknowledges that Emcore may continue to deduct from Employee's biweekly salary an amount equal to the employee's portion of the premiums associated with health insurance benefits for seven months and two weeks following April 1, 2002.

(c) Additionally, Emcore shall reimburse Employee for up to \$5,000.00 of actual costs of outplacement services, which shall be rendered at any time on or prior to March 18, 2003, provided that Employee presents to Emcore receipts for such services.

(d) Furthermore, incentive stock options previously granted to Employee with a vesting date on or before March 18, 2003 shall vest upon the Release Effective Date of this Agreement as defined in paragraph "4" below.

(e) Finally, Emcore shall pay to Employee an amount equal to the value of up to 50% of his 2001 Bonus Potential (which has a cash value equal to \$43,750.00) in the following manner: upon the Release Effective Date of this Agreement as defined in paragraph "4" below, Emcore shall vest Employee's incentive stock options that were granted on December 1, 1998 and October 3, 2001 to the extent that those incentive stock options would have vested on or before March 18, 2004 ("Accelerated Options"). On June 13, 2002, Emcore will pay

to Employee a cash amount equal to \$43,750.00, less the cash proceeds that Employee would have received if he had effected a cashless exercise and sale of the Accelerated Options on June 13, 2002. For purposes of the preceding calculation, the cashless exercise and sale will be deemed to have been effected at the closing price of the stock on June 13, 2002. If however, the Employee would have received less than \$0 upon effecting a cashless exercise and sale, the Employee will receive a cash payment from Emcore in the amount of \$43,750.

3. Employee agrees and acknowledges that the payments and benefits provided for in paragraph "2" exceed any benefits to which he would otherwise be entitled under any policy, plan, and/or procedure of Emcore or any agreement with Emcore.

4. Employee shall have twenty-one (21) days from the date of his receipt of this Agreement to consider the terms and conditions of the Agreement. Employee may accept this Agreement by executing it before a notary and returning it to Ms. Maureen Cymbaluk, Human Resources Director, Emcore Corporation, 145 Belmont Drive, Somerset, New Jersey 08873, no later than 5:00 p.m. on the twenty-first (21st) day after Employee's receipt of this Agreement ("Agreement and Release Return Date"). Thereafter, Employee will have seven (7) days to revoke this Agreement by stating his desire to do so in writing to Ms. Cymbaluk at the address listed above, and delivering it to Ms. Cymbaluk no later than 5:00 p.m. on the seventh (7th) day following the date Employee signs this Agreement. The effective date of this Agreement shall be the (8th) day following Employee's signing of this Agreement (the "Release Effective Date"), provided the Employee does not revoke the Agreement during the revocation period. In the event Employee does not accept this Agreement as set forth above, or in the event Employee revokes this Agreement during the revocation period, this Agreement, including but not limited to the obligation of Emcore and its subsidiaries and affiliates to provide the payments and benefits referred to in paragraph "2" above, shall automatically be deemed null and void.

5. (a) In consideration of the payments and benefits referred to in paragraph "2," Employee for himself and for his heirs, executors, and assigns (hereinafter collectively referred to as the "Releasors"), forever releases and discharges Emcore and any and all of its parent corporations, subsidiaries, divisions, affiliated entities, predecessors, successors and assigns, and any and all of its or their employee benefit and/or pension plans or funds, and any of its or their past or present officers, directors, stockholders, agents, trustees, administrators, employees or assigns (whether acting as agents for such entities or in their individual capacities) (hereinafter collectively referred to as "Releasees"), from any and all claims, demands, causes of action, fees and liabilities of any kind whatsoever (based upon any legal or equitable theory, whether contractual, common-law, statutory, decisional, federal, state,

local or otherwise), whether known or unknown, which Releasors ever had, now have or may have against Releasees by reason of any actual or alleged act, omission, transaction, practice, conduct, occurrence, or other matter from the beginning of the world up to and including the Release Effective Date.

(b) Without limiting the generality of the foregoing subparagraph "(a)", this Agreement is intended to and shall release the Releasees from any and all claims arising out of Employee's employment with Releasees and/or the



termination of Employee's employment, including but not limited to any claim(s) under or arising out of (i) the Age Discrimination in Employment Act, as amended, or the Older Workers Benefit Protection Act; (ii) Title VII of the Civil Rights Act of 1964, as amended; (iii) the Americans with Disabilities Act, as amended; (iv) the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (excluding claims for accrued, vested benefits under any employee benefit plan of Emcore in accordance with the terms of such plan and applicable law); (v) the New Mexico Human Rights Act; (vi) the California Fair Employment and Housing Act; (vii) the California Equal Pay Law; (viii) the California Sexual Orientation Bias Law; (ix) the California Labor and Government Codes; (x) the California Unruh Act; (xi) the New Jersey Law Against Discrimination, the New Jersey Equal Pay Act, the New Jersey Family Leave Act; (xii) the Pennsylvania Human Rights Act; (xiii) alleged discrimination or retaliation in employment (whether based on federal, state or local law, statutory or decisional); (xiv) the terms and conditions of Employee's employment with Emcore, the termination of such employment, and/or any of the events relating directly or indirectly to or surrounding that termination; and (xv) any law (statutory or decisional) providing for attorneys' fees, costs, disbursements and/or the like.

(c) As a further consideration and inducement for this Agreement, to the extent permitted by law, Employee hereby waives and releases any and all rights under Section 1542 of the California Civil Code or any analogous state, local, or federal law, statute, rule, order or regulation that Employee has or may have with respect to the Releasees. California Civil Code Section 1542 reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

Employee hereby expressly agrees that this Agreement shall extend and apply to all unknown, unsuspected and unanticipated injuries and damages, as well as any that are now disclosed, arising prior to Employee's execution of this Agreement.

6. (a) Employee agrees that he has not and will not engage in any conduct that is injurious to Emcore's or Releasee's reputation or interest, including but not limited to (i) divulging, communicating, or in any way making use of any confidential or proprietary information acquired in the performance of his duties at Emcore; and (ii) publicly disparaging (or inducing or encouraging others to publicly disparage) Emcore or Releasees.

(b) Employee agrees to return to Emcore any and all originals and copies of documents, materials, records or other items in his possession or control belonging to Emcore or containing proprietary information relating to Emcore.

(c) Employee acknowledges that the terms of the Confidentiality Agreement between Employee and Emcore dated October 21, 1996, attached hereto as Exhibit "A," are incorporated herein by reference, and Employee agrees and acknowledges that he is bound by its terms.

(d) Employee acknowledges and agrees that he will continue to comply with Emcore's policy against insider trading for a period of three months beginning on April 1, 2002, and agrees that he shall not buy or sell Emcore stock during that period unless it is within a window period as set forth in Emcore's Securities Trading Policy which is attached hereto as Exhibit "B."

7. (a) Employee will cooperate with Emcore and/or its subsidiaries and affiliates and its/their counsel in connection with any investigation, administrative proceeding or litigation relating to any matter in which Employee was involved or of which Employee has knowledge.

(b) Employee agrees that, in the event he is subpoenaed by any person or entity (including, but not limited to, any government agency) to give testimony (in a deposition, court proceeding or otherwise) which in any way relates to Employee's employment with Releasees, he will give prompt notice of such request to Maureen Cymbaluk, Emcore's Human Resources Director, or her successor, and will make no disclosure until Emcore has had a reasonable opportunity to contest the right of the requesting person or entity to such disclosure.

8. The terms and conditions of this Agreement are and shall be deemed to be confidential, and shall not be disclosed by Employee to any person or entity without the prior written consent of Maureen Cymbaluk, Emcore's Human Resources Director, except if required by law and to Employee's accountants, attorneys or spouse, provided that they agree to maintain the confidentiality of this Agreement. Employee further represents that he has not disclosed the terms and conditions of this Agreement to anyone other than his attorneys, accountants and spouse.

9. The making of this Agreement is not intended, and shall not be construed, as an admission that Releasees have violated any federal, state or local law (statutory or decisional), ordinance or regulation, breached any contract, or committed any wrong whatsoever against Employee.

10. The parties agree that this Agreement may not be used as evidence in a subsequent proceeding except in a proceeding to enforce the terms of this Agreement.

11. Employee acknowledges that: (a) he has carefully read this Agreement in its entirety; (b) he has had an opportunity to consider fully the terms of this Agreement; (c) he has been advised by Emcore in writing to consult with an attorney of his choosing in connection with this Agreement; (d) he fully understands the significance of all of the terms and conditions of this Agreement and he has discussed it with his independent legal counsel, or has had a reasonable opportunity to do so; (e) he has had answered to his satisfaction any questions he has asked with regard to the meaning and significance of any of the provisions of this Agreement; and (f) he is signing this Agreement voluntarily and of his own free will and assents to all the terms and condition contained herein.

12. This Agreement is binding upon, and shall inure to the benefit of, the parties and their respective heirs, executors, administrators, successors and assigns.

13. If any provision of this Agreement shall be held by a court of competent jurisdiction to be illegal, void, or unenforceable, such provision shall be of no force and effect. However, the illegality or unenforceability of such provision shall have no effect upon, and shall not impair the enforceability of, any other provision of this Agreement; provided, however, that, upon any finding by a court of competent jurisdiction that the release and covenants provided for by paragraph "5" of this Agreement is illegal, void, or unenforceable, Employee agrees to execute a release, waiver and/or covenant that is legal and enforceable. Finally, any breach of the terms of paragraphs "6," "7" and/or "8" shall constitute a material breach of this Agreement as to which Emcore may seek appropriate relief in a court of competent jurisdiction.

14. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New Jersey, without giving effect to the conflict of laws provisions thereof.

15. This Agreement (including the Exhibits attached hereto) constitutes the complete understanding between the parties and supersedes any and all agreements, understandings, and discussions, whether written or oral, between the parties. No other promises or agreements shall be binding unless in writing and signed after the Release Effective Date by the parties to be bound thereby.

Dated: \_\_\_\_\_  
Paul Rotella

EMCORE Corporation

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Maureen Cymbaluk  
Human Resources Director

## AGREEMENT AND RELEASE

Agreement and Release ("Agreement") executed this \_\_\_\_ day of April, 2002, by and between Craig Farley ("Employee") who resides at 1 Kittansett Ct., Skillman, New Jersey 08558, and Emcore Corporation ("Emcore").

Whereas, on June 5, 2001, Employee borrowed \$100,000.00 ("Loan Amount") from Emcore pursuant to a Promissory Note dated June 5, 2001 attached hereto as Exhibit "A," which Loan Amount Employee is required to repay to Emcore, with 5.5% interest per annum, on the earlier of (i) the conclusion of the window period following June 2001 in which Borrower is permitted to sell stock and (ii) March 1, 2002;

NOW THEREFORE, in consideration of the mutual promises described below and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, the parties agree as follows:

1. Employee's employment with Emcore shall be terminated effective March 29, 2002.

2. (a) Upon the Release Effective Date of this Agreement, as defined in paragraph "4" below, Emcore shall forgive the Loan Amount plus accrued interest, which is an amount that is agreed to be \$105,026.

(b) In addition, Emcore shall pay Employee the sum of \$61,650.92 which the parties agree is a reasonable estimate of the additional tax liabilities, less any deductions or exclusions Employee may be entitled to claim, that are payable as a result of forgiveness of the Loan Amount plus accrued interest.

(c) In addition, Emcore shall reimburse Employee for up to \$5,000.00 of actual costs of outplacement services, which shall be rendered at any time on or prior to March 18, 2003, provided that Employee presents to Emcore receipts for such services and evidence that such expenses have been paid.

(d) In addition, for a period of six months from March 29, 2002 through September 30, 2002, Emcore shall pay the insurance premium to continue Employee's (and the Employee's covered spouse and eligible dependents) health and dental insurance, if any, in accordance with COBRA. Employee shall pay all co-payments and deductibles in the same manner as during his employment with Emcore. If Employee accepts other employment which affords him health and/or dental insurance, Emcore's obligation for payment of Employee's COBRA health and/or dental insurance premiums shall cease upon the date he is eligible to enroll for such new health and/or dental insurance coverage. In the event that Employee chooses to continue his health and/or dental insurance in accordance with COBRA after September 30, 2002, or after becoming eligible to enroll for new health and/or dental insurance coverage with a subsequent employer, he shall

be responsible for all future COBRA health and/or dental insurance premiums or payments. Employee shall immediately notify the Human Resources Department at Emcore upon his acceptance of other employment and his eligibility date to enroll for new health and/or dental insurance coverage. Employee agrees that he is not entitled to the payment of his COBRA premiums recited in this paragraph under any policy, contract, custom or usage of Emcore.

(e) In addition, Employee shall be permitted to retain his cell phone and laptop computer; provided, however, that Employee shall, within ten (10) days from the date hereof, arrange a mutually convenient to return his laptop to Emcore so that all proprietary information and licensed software may be removed.

(f) In addition, should Employee relocate to Texas within six months from March 29, 2002, Emcore shall reimburse Employee for the following moving expenses upon receipt of invoices and proof that such expenses have been paid by Employee: (i) the cost of packing and moving Employee's personal effects and (ii) air, auto or rail travel for Employee and Employee's immediate family to Texas.

(g) Finally, Emcore shall reimburse Employee for up to \$1,000.00 of actual costs of legal services in connection with the review and negotiation of this Agreement, which shall be rendered at any time on or prior to April 22, 2003, provided that Employee presents to Emcore receipts for such services and evidence that such expenses have been paid.

3. Employee agrees and acknowledges that the payments and benefits provided for in paragraph "2" exceed any benefits to which he would otherwise be entitled under any policy, plan, and/or procedure of Emcore or any agreement with Emcore. Employee acknowledges and agrees that any monetary or other benefits which are, were or may have been claimed to be due to Employee and which he may have earned or accrued, or to which he may have been entitled, have been paid or such payments have been released, waived or settled by Employee pursuant to this Agreement.

4. Employee shall have twenty-one (21) days from the date of his receipt of this Agreement to consider the terms and conditions of the Agreement. Employee may accept this Agreement by executing it before a notary and returning it to Ms. Maureen Cymbaluk, Human Resources Director, Emcore Corporation, 145 Belmont Drive, Somerset, New Jersey 08873, no later than 5:00 p.m. on the twenty-first (21st) day after Employee's receipt of this Agreement ("Agreement and Release Return Date"). Thereafter, Employee will have seven (7) days to revoke this Agreement by stating his desire to do so in writing to Ms. Cymbaluk at the address listed above, and delivering it to Ms. Cymbaluk no later than 5:00 p.m. on the seventh (7th) day following the date Employee signs this

Agreement. The effective date of this Agreement shall be the (8th) day following Employee's signing of this Agreement (the "Release Effective Date"), provided the Employee does not revoke the Agreement during the revocation period. In the event Employee does not accept this Agreement as set forth above, or in the event Employee revokes this Agreement during the revocation period, this

Agreement, including but not limited to the obligation of Emcore and its subsidiaries and affiliates to provide the payments and benefits referred to in paragraph "2" above, shall automatically be deemed null and void.

5. (a) In consideration of the payments and benefits referred to in paragraph "2," Employee for himself and for his heirs, executors, and assigns (hereinafter collectively referred to as the "Releasors"), forever releases and discharges Emcore and any and all of its parent corporations, subsidiaries, divisions, affiliated entities, predecessors, successors and assigns, and any and all of its or their employee benefit and/or pension plans or funds, and any of its or their past or present officers, directors, stockholders, agents, trustees, administrators, employees or assigns (whether acting as agents for such entities or in their individual capacities) (hereinafter collectively referred to as "Releasees"), from any and all claims, demands, causes of action, fees and liabilities of any kind whatsoever (based upon any legal or equitable theory, whether contractual, common-law, statutory, decisional, federal, state, local or otherwise) ("Claims"), whether known or unknown, which Releasors ever had, now have or may have against Releasees by reason of any actual or alleged act, omission, transaction, practice, conduct, occurrence, or other matter from the beginning of the world up to and including the Release Effective Date.

(b) Without limiting the generality of the foregoing subparagraph "(a)", this Agreement is intended to and shall release the Releasees from any and all claims arising out of Employee's employment with Releasees and/or the termination of Employee's employment, including but not limited to any claim(s) under or arising out of (i) the Age Discrimination in Employment Act, as amended, or the Older Workers Benefit Protection Act; (ii) Title VII of the Civil Rights Act of 1964, as amended; (iii) the Americans with Disabilities Act, as amended; (iv) the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (excluding claims for accrued, vested benefits under any employee benefit plan of Emcore in accordance with the terms of such plan and applicable law); (v) the New Mexico Human Rights Act; (vi) the California Fair Employment and Housing Act; (vii) the California Equal Pay Law; (viii) the California Sexual Orientation Bias Law; (ix) the California Labor and Government Codes; (x) the California Unruh Act; (xi) the New Jersey Law Against Discrimination, the New Jersey Equal Pay Act, the New Jersey Family Leave Act; (xii) alleged discrimination or retaliation in employment (whether based on federal, state or local law, statutory or decisional); (xiii) the terms and conditions of Employee's employment with Emcore, the termination of such employment, and/or any of the events relating directly or indirectly to or surrounding that termination; and (xiv) any law (statutory or decisional) providing for attorneys' fees, costs, disbursements and/or the like.

(c) Emcore, fully releases and discharges Employee from any and all Claims which Emcore ever had, now have or may have against Employee for any acts or omissions by Employee occurring prior to March 29, 2002 in connection with his employment by Emcore. Notwithstanding the foregoing, Employee and Emcore agree that the release provisions of this paragraph 5(c) shall not apply to any Claims that Emcore may have against Employee for embezzlement, or any other

fraudulent acts that Employee may have committed against, or while employed by, Emcore.

(d) As a further consideration and inducement for this Agreement, to the extent permitted by law, Employee and Emcore hereby mutually waive and release any and all rights under Section 1542 of the California Civil Code or any analogous state, local, or federal law, statute, rule, order or regulation that Employee or Emcore has or may have with respect to each other. California Civil Code Section 1542 reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH  
THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN  
HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE,  
WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED  
HIS SETTLEMENT WITH THE DEBTOR.

Employee hereby expressly agrees that this Agreement shall extend and apply to all unknown, unsuspected and unanticipated injuries and damages, as well as any that are now disclosed, arising prior to Employee's execution of this Agreement. With the exception of those causes of action specifically reserved by Emcore under paragraph 5(c) above, Emcore hereby expressly agrees that this Agreement shall extend and apply to all unknown, unsuspected and unanticipated injuries and damages, as well as any that are now disclosed, arising prior to Employee's execution of this Agreement.

6. (a) Employee agrees that he has not and will not engage in any conduct that is injurious to Emcore's or Releasee's reputation or interest, including but not limited to (i) divulging, communicating, or in any way making use of any confidential or proprietary information acquired in the performance of his duties at Emcore; and (ii) publicly disparaging (or inducing or encouraging others to publicly disparage) Emcore or Releasees. Emcore agrees that neither it, nor anyone acting on its behalf shall make any disparaging statement about Employee.

(b) Employee agrees to return to Emcore any and all originals and copies of documents, materials, records or other items in his possession or control belonging to Emcore or containing proprietary information relating to Emcore.

(c) Employee acknowledges that the terms of the Confidentiality Agreement between Employee and Emcore dated June 15, 1998, attached hereto as Exhibit "B," are incorporated herein by reference, and Employee agrees and acknowledges that he is bound by its terms. With respect to Employee's non-competition covenant, "Competing Business" shall hereafter be limited to businesses engaged in the design, development, manufacture or sale of (i) electronic materials (such as PHEMTs, EMODEs, HBTs, GaN FETs, etc.) manufactured

by MOCVD, (ii) VCSELS, (iii) photodiodes to be used in ROSAs, TOSAs, arrays and transponders, or (iv) parallel optic transceivers or transponders based on VCSEL technology. Notwithstanding the foregoing, Employee shall be permitted to engage in the design, development, manufacture and sale of high-speed, unpackaged photodiode singlet chips for use in ROSAs and transponders for intermediate and long-reach applications (i.e., in excess of 40 km); provided that Employee grants to Emcore or causes the entity for which he works to grant to Emcore the first opportunity to bring such product to market on terms to be agreed upon, but which shall include most favored nation pricing for Emcore.

(d) Employee acknowledges and agrees that he will continue to comply with Emcore's policy against insider trading for a period of three months beginning on March 18, 2002, and agrees that he shall not buy or sell Emcore stock during that period unless it is within a window period as set forth in Emcore's Securities Trading Policy which is attached hereto as Exhibit "C."

(e) Employee agrees that for a period of twelve (12) months following the Release Effective Date, Employee will not solicit, attempt to solicit, recommend to a third-party that such third-party solicit, or assist a third-party in soliciting any business in competition with the business of Emcore from any of Emcore's customers or suppliers.

(f) Employee agrees that for a period of twelve (12) months following the Release Effective Date, employee will not solicit, attempt to solicit, recommend to a third-party that such third-party solicit, or assist a third-party in soliciting any employee of Emcore for the purpose of encouraging, enticing, or causing said employee to terminate employment with Emcore.

(g) Should Employee breach any of the covenants contained in this section, Emcore may discontinue any payments which may be due under this Agreement, in addition to any other remedies available to it, including injunctive relief.

7. (a) Employee will cooperate with Emcore and/or its subsidiaries and affiliates and its/their counsel in connection with any investigation, administrative proceeding or litigation relating to any matter in which Employee was involved or of which Employee has knowledge. Emcore shall promptly reimburse Employee for all reasonable travel related expenses (including a reasonable per diem rate if Employee is self-employed) incurred by him in connection with such cooperation and assistance.

(b) Employee agrees that, in the event he is subpoenaed by any person or entity (including, but not limited to, any government agency) to give testimony (in a deposition, court proceeding or otherwise) which in any way relates to Employee's employment with Releasees, he will give prompt notice of such request to Maureen Cymbaluk, Emcore's Human Resources Director, or her successor, and will make no disclosure until Emcore has had a reasonable opportunity to contest the right of the requesting person or entity to such disclosure.



8. The terms and conditions of this Agreement are and shall be deemed to be confidential, and shall not be disclosed by Employee to any person or entity without the prior written consent of Maureen Cymbaluk, Emcore's Human Resources Director, except if required by law and to Employee's accountants, attorneys or spouse, provided that they agree to maintain the confidentiality of this Agreement. Employee further represents that he has not disclosed the terms and conditions of this Agreement to anyone other than his attorneys, accountants and spouse.

9. Upon a reference request for Employee, Emcore will respond with dates of employment, positions held, and compensation. Employee agrees to direct all reference requests to Maureen Cymbaluk, Emcore's Human Resources Director. Except as may otherwise be required by law, regulations applicable to public companies or legal process, Emcore will not provide any third party any information concerning the Employee other than as provided in the first sentence of this paragraph without the express written permission of Employee.

10. The making of this Agreement is not intended, and shall not be construed, as an admission that Releasees have violated any federal, state or local law (statutory or decisional), ordinance or regulation, breached any contract, or committed any wrong whatsoever against Employee.

11. The parties agree that this Agreement may not be used as evidence in a subsequent proceeding except in a proceeding to enforce the terms of this Agreement.

12. Employee acknowledges that: (a) he has carefully read this Agreement in its entirety; (b) he has had an opportunity to consider fully the terms of this Agreement; (c) he has been advised by Emcore in writing to consult with an attorney of his choosing in connection with this Agreement; (d) he fully understands the significance of all of the terms and conditions of this Agreement and he has discussed it with his independent legal counsel, or has had a reasonable opportunity to do so; (e) he has had answered to his satisfaction any questions he has asked with regard to the meaning and significance of any of the provisions of this Agreement; and (f) he is signing this Agreement voluntarily and of his own free will and assents to all the terms and condition contained herein.

13. This Agreement is binding upon, and shall inure to the benefit of, the parties and their respective heirs, executors, administrators, successors and assigns.

14. If any provision of this Agreement shall be held by a court of competent jurisdiction to be illegal, void, or unenforceable, such provision shall be of no force and effect. However, the illegality or unenforceability of such provision shall have no effect upon, and shall not impair the enforceability of, any other provision of this Agreement; provided, however,

that, upon any finding by a court of competent jurisdiction that the release and covenants provided for by paragraph "5" of this Agreement is illegal, void, or unenforceable, Employee agrees to execute a release, waiver and/or covenant that is legal and enforceable. Finally, any breach of the terms of paragraphs "6," "7" and/or "8" shall constitute a material breach of this Agreement as to which Emcore may seek appropriate relief in a court of competent jurisdiction.

15. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New Jersey, without giving effect to the conflict of laws provisions thereof.

16. This Agreement (including the Exhibits attached hereto) constitutes the complete understanding between the parties and supersedes any and all agreements, understandings, and discussions, whether written or oral, between the parties. No other promises or agreements shall be binding unless in writing and signed after the Release Effective Date by the parties to be bound thereby.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Craig Farley

EMCORE Corporation

By: \_\_\_\_\_

Date: \_\_\_\_\_

Maureen Cymbaluk  
Human Resources Director